Vermont Association of Hospitals and Health Systems

148 Main Street
Montpelier, VT 05602

info@vahhs.org
(802) 223-3461
VAHHS.ORG

May 21, 2024

Owen Foster, Chair
Green Mountain Care Board
Montpelier, Vermont 05602

Sent via e-mail

Dear Chair Foster and Members of the Green Mountain Care Board:

Thank you for the opportunity to comment on the AHEAD model on behalf of hospital providers. As mentioned at the May 15th public hearing, VAHHS is interested in exploring all health care delivery system reform and reimbursement options in conjunction with the principles of equitable access, stabilization, strong health care ecosystem, and predictability. The details, benefits and how these models will improve the delivery system must be clearly communicated to the provider community. Hospitals request the opportunity to stress test the options for the AHEAD model, fee for service, and the Medicare Shared Savings Program using detailed inputs prior to Vermont signing on to the model.

Hospital Designation

We appreciate that Critical Access Hospitals and Medicare Dependent Hospitals can maintain their designation if the AHEAD model does not work for them, but moving away from cost-based reimbursement after the base is set is financially unsustainable for our rural safety net hospitals and impedes participation. Hospital special designations should be evaluated to ensure that the global budget structure does not penalize these organizations as a result of participation.

Financial Terms

- **Hospital Financial Challenges** - When entering the All-Payer Model, the Vermont hospital system generated an aggregate operating margin of $265MM from 2013-2015. For the years leading into the AHEAD model the hospital system has generated an aggregate operating margin of $55.4MM from 2021-2023. In FY 2023 65% of Vermont hospital had negative margins and today that number is approaching 80%.
- **Medicare is a Low-Cost State -**
    - Medicare payments are 17% below national average[1]
    - APM generated saving to Medicare $125m[2]
    - Transformation funding saving to Medicare an estimated $100m[3]
    - Base year calculation must not be lower than prior year Medicare payments.

---

[1] Kaiser Family Foundation, Medicare Spending Per Beneficiary, 2021, https://www.kff.org/medicare/state-indicator/per-beneficiary/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D

[2] NORC, Third Evaluation Report, July 2023, https://www.cms.gov/priorities/innovation/data-and-reports/2023/vtapm-3rd-eval-full-report#page=13&zoom=page-fit,-373,635

[3] Lack of funding for delivery system reform was linked to constraints on investments in population health management in an evaluation of the Vermont All-Payer Accountable Care Organization Model. NORC, Third Evaluation Report, July 2023, https://www.cms.gov/priorities/innovation/data-and-reports/2023/vtapm-3rd-eval-full-report#page=91&zoom=page-fit,-419,789

Vermont Association of Hospitals and Health Systems
148 Main Street
Montpelier, VT 05602
info@vahhs.org
(802) 223-3461
VAHHS.ORG

- **Funding for Necessary Access to Care –** The AHEAD Model's current methodology locks in long wait times in inappropriate levels of care due to capacity limitations. Recapturing Medicare savings between $170-$285 million system wide is fundamental to improving the stability of the entire hospital system. The following three financial models justify and are in alignment with savings Vermont has provided to the Federal government.

Estimated Medicare Increases						
Model # 1 - Mathematica base calculation - Source National Claims database						
	Base	Cost Coverage	3% Margin	Total		
	$ 588,110,566	$ 147,027,641	$ 22,054,146	$ 169,081,788		
Model # 2 - Vermont Hospital Net Revenue plus FPP less Physician Revenue - Source Adaptive						
	Base	Cost Coverage	3% Margin	Total		
	$ 987,716,071	$ 246,929,018	$ 37,039,353	$ 283,968,370		
Model # 3 - Increase payments based on Part A&B- PMPM Vermont vs 50% Percentile National Average - Source KFF						
	Vermont Spend	Vermont at 50 %tile	Increase	Cost Coverage	3% Margin	Total
	$ 1,145,079,104	$ 1,310,136,672	$ 165,057,568	$ 41,264,392	$ 6,189,659	$212,511,619

In addition to improving access to hospital level services the model must also have a plan to stabilize long-term care, skilled nursing, mental health, substance misuse and EMS transport services.

- **Hospital participation should be voluntary**—hospitals should be able to assess the model and determine if participation is right for them.
- **All payer participation, including Medicare Advantage –**To effectively change provider behavior, a participating hospital would need all payers in the model.

Hospital Global Budget Methodology

The AHEAD Model must be grounded in a transparent and actuarially sound global budgeting process, including an appropriate margin for reinvestment in hospitals and the healthcare ecosystem that is advised by a representative body of clinical and financial experts.

The Agency of Human Services and the Green Mountain Care Board will continue to work with a group of experts, including hospital leadership, to develop a Vermont-specific hospital global budget methodology to be submitted for federal approval, including the following comments:

- The Vermont-specific methodology should reflect the above financial terms in the Vermont delivery reform investment adjustment or in the base.
- VAHHS appreciates the proposed flexibility in setting the base in allowing hospitals to choose the greater of two options because CMMI's methodology includes 2022, may hospitals' worst financial year.
- VAHHS appreciates the use of the social vulnerability index for the social risk adjustment as the more granular measure.
- For inflation, VAHHS proposes further adjustment to take into account workforce and pharmaceutical costs included in inpatient and outpatient services within the AHEAD model.

Vermont Association of Hospitals and Health Systems

148 Main Street
Montpelier, VT 05602

info@vahhs.org
(802) 223-3461
VAHHS.ORG

Medicare Market Basket adjustments have for far too long been below the actual inflation levels hospitals experience and is a primary driver in Medicare underfunding.

- Vermont should ensure that the potential avoidable utilization measurement only includes avoidable utilization that is addressed by the AHEAD model, as opposed to utilization due to lack of post-acute care or community mental health treatment.

Governance & Regulation

The premise of hospital global budgets is that the predictability and flexibility of the funding structure will drive health care changes. Regulation of hospital global budgets should align with the new model, resulting in:

- GMCB regulates the Total Cost of Care (TCOC). When setting hospital global budgets expertise from hospital leadership must be included in the process.
- GMCB considers solvency of hospitals in same way DFR considers solvency of insurers.
- Consider certificate of need exemptions, for hospitals taking on global budget risk to provide the highest quality and lowest cost care.
- Legislative ownership and oversight of the AHEAD model.
- Existing waiver continuation and willingness to evaluate the possibility of new or additional waivers. Relief from Merit Based Incentive payments (MIPS and Medicare Access and CHIP Reauthorization Action of 2015 (MACRA) quality reporting should be continued.
- Administrative Simplification - Alignment or removal of administrative requirements that were intended for a fee-for-service environment but are unnecessary and antagonistic to the goals of the AHEAD model, such as alignment of quality measures, data collection, and prior authorizations.

Data Terms

A high level of care coordination is necessary for success in value-based care delivery and critical to understanding TCOC. However, such coordination is often hampered by barriers to sharing timely clinical and claims data across the care continuum – including primary care, mental health and post-acute providers that are otherwise unaffiliated with providers and hospitals.

- Data Reporting must include the following:
    - Provide seamless data sharing, both claims and HIE data elements
    - Standard and timely performance reports from CMMI/AHS in a digestible reporting format necessary for decision making and evaluation
- Regulatory protections for data sharing between participants in AHEAD with protections from Anti-Kickback, Stark law and other regulatory considerations.

Negotiation Process

The AHEAD model provides an opportunity to stabilize our hospital and health care system with increased Medicare funding through the Vermont payment adjustment. Medicare funding is necessary for moving forward with the model and should be the negotiation term that is prioritized at the highest level.

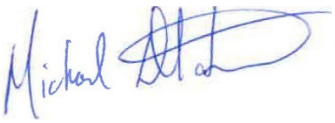
Vermont Association of Hospitals and Health Systems

148 Main Street
Montpelier, VT 05602

E info@vahhs.org
O (802) 223-3461
VAHHS.ORG

If Vermont is unable to continue working with stakeholders to stress test the parameters of the AHEAD model during negotiations, then The Agency of Human Services along with the Green Mountain Care Board should work with consumers, providers, and payers to determine non-negotiables and our best alternative to a negotiated agreement prior to entering into negotiations with CMMI—details matter and the "move forward" and "walk away" points in the negotiation must be clearly communicated to the provider community. The negotiations should prioritize the feasibility of introducing additional Medicare funding into Vermont and allow for hospitals to stress test the terms prior to agreement.

Sincerely,



Michael Del Trecco
President and CEO
Vermont Association of Hospitals and Health Systems

cc: Jenney Samuelson, Secretary, Agency of Human Services